

# **MINUTES OF**

## **THE RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY**

**Meeting #429 – December 7, 2005**

**PRESENT: Frank R. Benell -- Chairperson**

**Frances H. Gammell-Roach -- Vice Chairperson**

**Robert Luneberg – Member**

**Michael Imbruglia, Member**

**ABSENT: Donald Harris – Member**

**ALSO PRESENT: Earl F. Queenan, Jr. -- Manager**

**Anthony J. Scolavino -- Sr. Financial Program Administrator**

**Claudine Tikoian -- Financial Program Manager**

**Thomas V. Moses, Esquire -- Legal Counsel**

**Natalie A. Jackvony, Esquire -- Legal Counsel**

**The meeting was held at One West Exchange Street, Providence, and was called to order by Mr. Benell at 8:45 a.m.**

**Mr. Benell presented the Minutes of the Meeting of November 2, 2005. Following review, Mr. Luneberg made a motion to accept these**

**Minutes as presented,**

**Ms. Gammell-Roach seconded, and it was unanimously adopted. A roll call vote**

**was taken:**

**Mr. Luneberg – aye**

**Ms. Gammell-Roach – aye**

**Mr. Benell – aye**

**Mr. Imbruglia - aye**

**Mr. Queenan presented the Watch List as of November 30, 2005. Mr. Scolavino reported on the AKL FLEXO TECH-USA, LP litigation. Mr. Scolavino stated that the settlement negotiations with Mr. Kobusch are on track and that his attorney said Mr. Kobusch should execute a settlement agreement and make an initial payment around the beginning of the new year. Mr. Moses reported on ULTRAFINE, and noted that \$21,000 for fees owed to the Rhode Island Industrial Facilities Corporation and the Authority are coming due from ULTRAFINE. There is currently a company that is actively considering acquiring ULTRAFINE, and if that happens, the new company would assume ULTRAFINE's existing debt and pay off the Authority debt. Mr. Moses said an offer to acquire could be made as early as the first quarter of 2006. Mr. Queenan reported on the Authority's loan with Bank of America that was taken by the Authority to refinance a portion of the defaulted AKL FLEXO TECH debt. The rate cap was set to expire, so**

**Mr. Queenan requested that Rhode Island's Controller send a payoff to Bank of America, which happened prior to today's meeting. In addition the Authority will be getting an \$11,000 refund from Bank of America because the contract for the interest rate cap had not yet expired. That means that the net cost to the Authority to purchase the cap ended up being about \$2,000-\$3,000, which was far less than the interest saved by the refinance with Bank of America.**

**After this, a motion was made by Mr. Luneberg, was seconded by Ms. Gammell-Roach, and was unanimously approved to accept the Watch List as submitted. A vote by roll call was held:**

**Mr. Luneberg – aye**

**Ms. Gammell-Roach – aye**

**Mr. Benell – aye**

**Mr. Imbruglia - aye**

**Mr. Queenan then reviewed the Portfolio Report with the Board. Frank Epps, of GLOBAL IMAGING, will be laying off about 15 people for approximately 60 days. This is similar to what his company did last year, but the number of people being laid off is less than last year. Mr. Queenan also reported that Stanley Weiss wants to expand THE HOTEL PROVIDENCE by about 24-30 rooms. Mr. Queenan, Mr. Moses,**

**Mr. Weiss and the hotel's general manager had a meeting to discuss expansion options. According to information provided by the hotel,**

in October of 2005 it was at 94% occupancy. Mr. Queenan explained that L'Epicureo, the hotel's restaurant, is doing well, and that various celebrities have stayed in the hotel while in town (Bruce Springsteen, Cybil Shepherd, for example). Mr. Moses explained that he attended a meeting with

Mr. Weiss and the City of Providence regarding the Moulton Hall building and the need for a road abandonment. Also, Mr. Moses reported that Bank Rhode Island wants to stay as the hotel's primary lender for the financing of the additional rooms if the Authority is going to guaranty the repayment. Mr. Moses stated that he told Bank Rhode Island that they need to provide a line of credit to the hotel (beyond the current \$250,000 line for which the bank retained about \$160,000 in cash collateral) that is satisfactory to the Authority. There was also discussion about the fact that right now the Authority's liability with regard to the existing insurance is about \$60,000 per room but the market value of the hotel's rooms is around \$100,000 each. If the hotel were to expand over 100 rooms, the market value of the rooms increases significantly and could be around \$150,000 per room. The new general manager at the hotel is the former food and beverage manager at the Westin. Mr. Moses was impressed with the general manager.

After this, a motion was made by Mr. Luneberg, was seconded by Ms. Gammell-Roach, and was unanimously approved to accept the Portfolio Report as submitted. A vote by roll call was held:

**Mr. Luneberg – aye**

**Ms. Gammell-Roach – aye**

**Mr. Benell – aye**

**Mr. Imbruglia - aye**

**Next, Ms. Tikoian spoke regarding a request from AEROSERV EXPRESS, INC. and Robert Carp for the Authority to release its lien on 2 planes. Mr. Carp wanted to refinance one plane with Sovereign Bank, and the loan secured by that plane would increase from \$580,000 to \$700,000, but the Authority would hold a 2nd priority interest behind Sovereign. The second plane, for which Mr. Carp had provided an appraisal of \$400,000. in connection with the initial closing of financing with Commerce Bank, was being sold for \$150,000. Therefore, the Authority was being requested to release its lien on that plane entirely.**

**At this time, Mr. Carp joined the board to answer inquiries about his requests to release the liens on the planes. In response to questioning about why he was selling the plane appraised at \$400,000 for \$150,000, Mr. Carp responded that the Federal Aviation Administration is putting more regulations on charter aircraft. Those regulations would necessitate about \$300,000 in improvements to the existing plane when a new plane, compliant with those regulations, would cost about \$1,300,000. The parts of the plane are actually worth much more when sold separately than as a whole. However, it**

would be too cumbersome for him to sell it that way, and the person to whom he is selling will probably sell it for parts.

Mr. Carp explained that the AEROSERV facility in Smithfield opened at the end of August 2005 and is doing well. His repair personnel are working double shifts, which started this month. The facility has been authorized to do warranty work that is not done by many other companies in this part of the country, so he feels that the maintenance, repair and warranty work potential bodes well for AEROSERV's success.

Mr. Queenan explained that because the lien on the plane being refinanced with Sovereign represents less equity in the plane for the Authority than it currently has, the staff recommended that the release of liens be accompanied by a pledge of the cash that Aeroserv would receive on the refinance. Mr. Carp then left the meeting.

At this point, Mr. Luneberg left the meeting due to a prior commitment.

A motion was made by Ms. Gammell-Roach, seconded by Mr. Imbruglia, to accept the staff's recommendation to approve the release of lien on the plane being sold, to accept a second lien position on the plane being refinanced, and to require a pledge of the cash received in the refinancing, and the motion was unanimously

**approved. A vote by roll call was held:**

**Ms. Gammell-Roach – aye**

**Mr. Benell – aye**

**Mr. Imbruglia - aye**

**Mr. Queenan presented a request from QUONPRO and RHODY TRANSPORTATION for the board to waive financial covenant violations. He explained that the Authority staff was recommending approval of the request for a waiver. Recently, Quonpro and Rhody terminated their lease at Quonset, which resulted in savings on lease payments. The building financed by the Authority is large enough to house all of their storage needs, so the plan was always for them to leave Quonset. Just by eliminating the lease payments, Quonpro will break even based on the last financials submitted to the Authority.**

**Mr. Queenan also opined that the financial people now in place for Quonpro seemed competent and to have a good handle on operations.**

**A motion was made by Ms. Gammell-Roach, seconded by Mr. Imbruglia, to accept the staff's recommendation to approve the request for waiver of covenant violations by Quonpro and Rhody. A vote by roll call was held:**

**Ms. Gammell-Roach – aye**

**Mr. Benell – aye**

**Mr. Imbruglia - aye**

**Mr. Scolavino presented a request from NEW ENGLAND EXPEDITION and Barry Feldman to allow the sale of additional equity interests in New England Expedition in order to raise funds needed for tenant improvements. Mr. Moses explained that the request as made by Mr. Feldman, however, presented potential inconsistencies with what might be possible under the Authority's enabling act. The board therefore discussed whether Mr. Feldman may be able to vary the proposed structure of the equity.**

**After discussion, a motion was made by Ms. Gammell-Roach, seconded by**

**Mr. Imbruglia, to allow New England Expedition to issue or transfer equity interests for up to \$1,600,000 on terms and conditions acceptable to Authority staff and legal counsel, so long as the Authority enabling act is not violated and the Authority's collateral position does not change, and Mr. Feldman retains control of New England Expedition. A vote by roll call was held:**

**Ms. Gammell-Roach – aye**

**Mr. Benell – aye**

**Mr. Imbruglia - aye**

**There being no other business to discuss, Mr. Benell requested a motion to adjourn.**



**Ms. Gammell-Roach motioned, Mr. Imbruglia seconded, and it was unanimously approved to end the meeting.**

**The meeting adjourned at 10:00 a.m.**

**Respectfully submitted,**

**Earl F. Queenan, Jr.  
Manager & Secretary**